

Updating Procedure

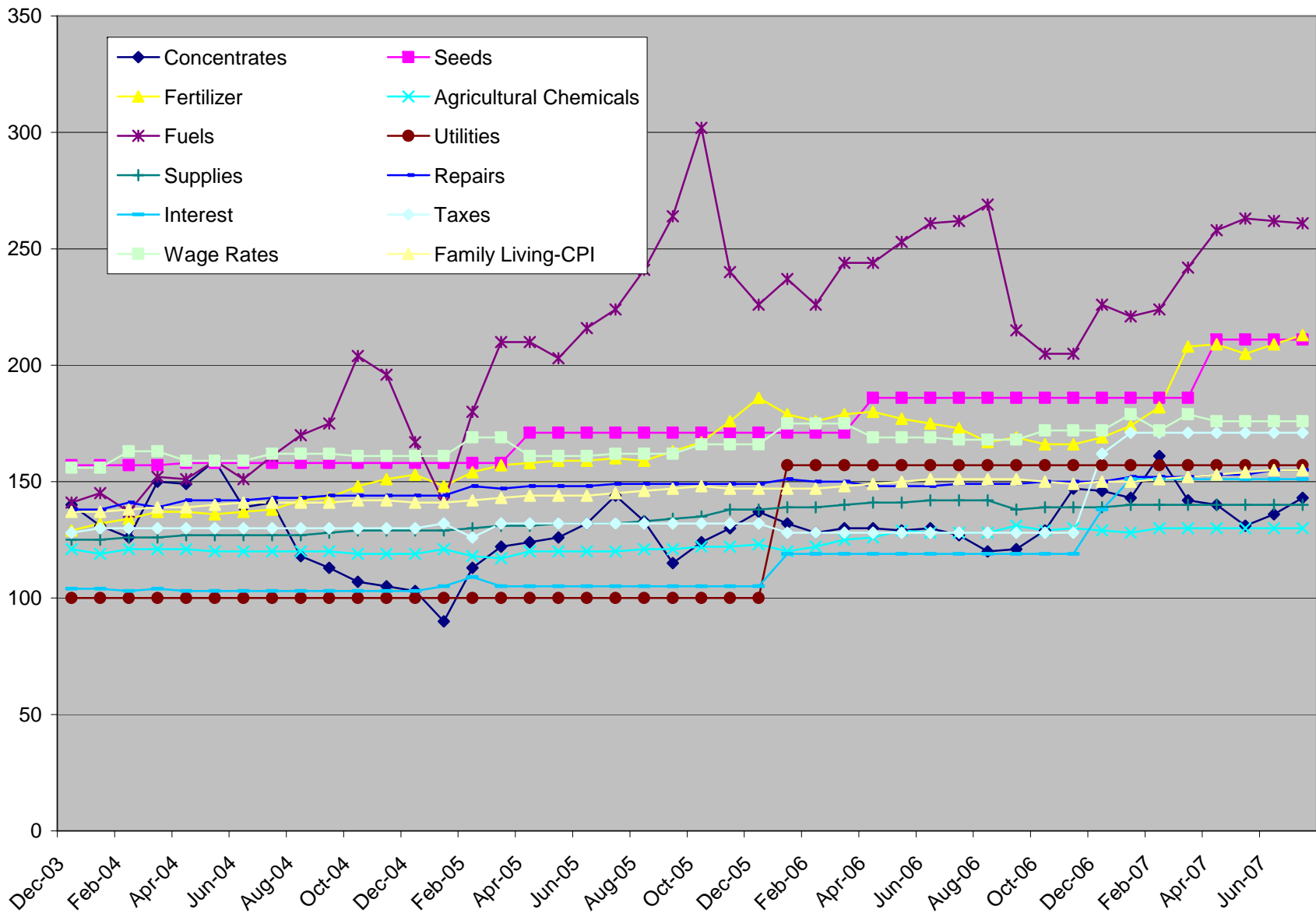
- Followed USDA-ERS procedure
- Based upon 2004 budgets
- Relied upon USDA NASS for data
- Maine PUC for utilities
- Created an index for the three farm sizes
 - 2004
 - 2005
 - Monthly since 2006

Table 1. Cost categories and indices .

<i>Dairy Budget Categories</i>	<i>USDA NASS PPITW</i>							
Dairy Concentrate	Concentrates							
Seeds	Seeds							
Fertilizer and Lime	Fertilizer							
Chemicals and Other	Agricultural Chemicals							
Fuel and Oil	Fuels							
Utilities	**							
Miscellaneous	Supplies							
Machinery Repair	Repairs							
Interest	Interest							
Tax	Taxes							
Hired Labor Expense	Wage Rates							
Family Labor Expense	Family Living-CPI							
Remainder	PPITW Livestock Sector							
* Averaged over entire year								
** Derived from Maine Public Utilities Commission published data								

Table 1. Cost categories and indices in 2004, 2005 and May 2006 .

		Cost Shares (% of SR Costs)			
		Small Farm	Medium Farm	Large Farm	
<i>Dairy Budget Categories</i>	<i>USDA NASS PPITW</i>				
Dairy Concentrate	Concentrates	24.0%	27.9%	29.2%	
Seeds	Seeds	0.2%	0.8%	1.1%	
Fertilizer and Lime	Fertilizer	1.5%	1.8%	3.0%	
Chemicals and Other	Agricultural Chemicals	0.5%	0.6%	0.9%	
Fuel and Oil	Fuels	4.1%	4.4%	3.8%	
Utilities	**	3.9%	2.6%	2.1%	
Miscellaneous	Supplies	4.9%	5.1%	5.4%	
Machinery Repair	Repairs	5.8%	7.6%	8.4%	
Interest	Interest	1.5%	1.6%	1.6%	
Tax	Taxes	3.5%	2.5%	2.4%	
Hired Labor Expense	Wage Rates	0.0%	7.7%	10.4%	
Family Labor Expense	Family Living-CPI	33.2%	28.1%	22.8%	
Remainder	PPITW Livestock Sector	17.1%	9.3%	9.0%	
* Averaged over entire year					
** Derived from Maine Public Utilities Commission published data					



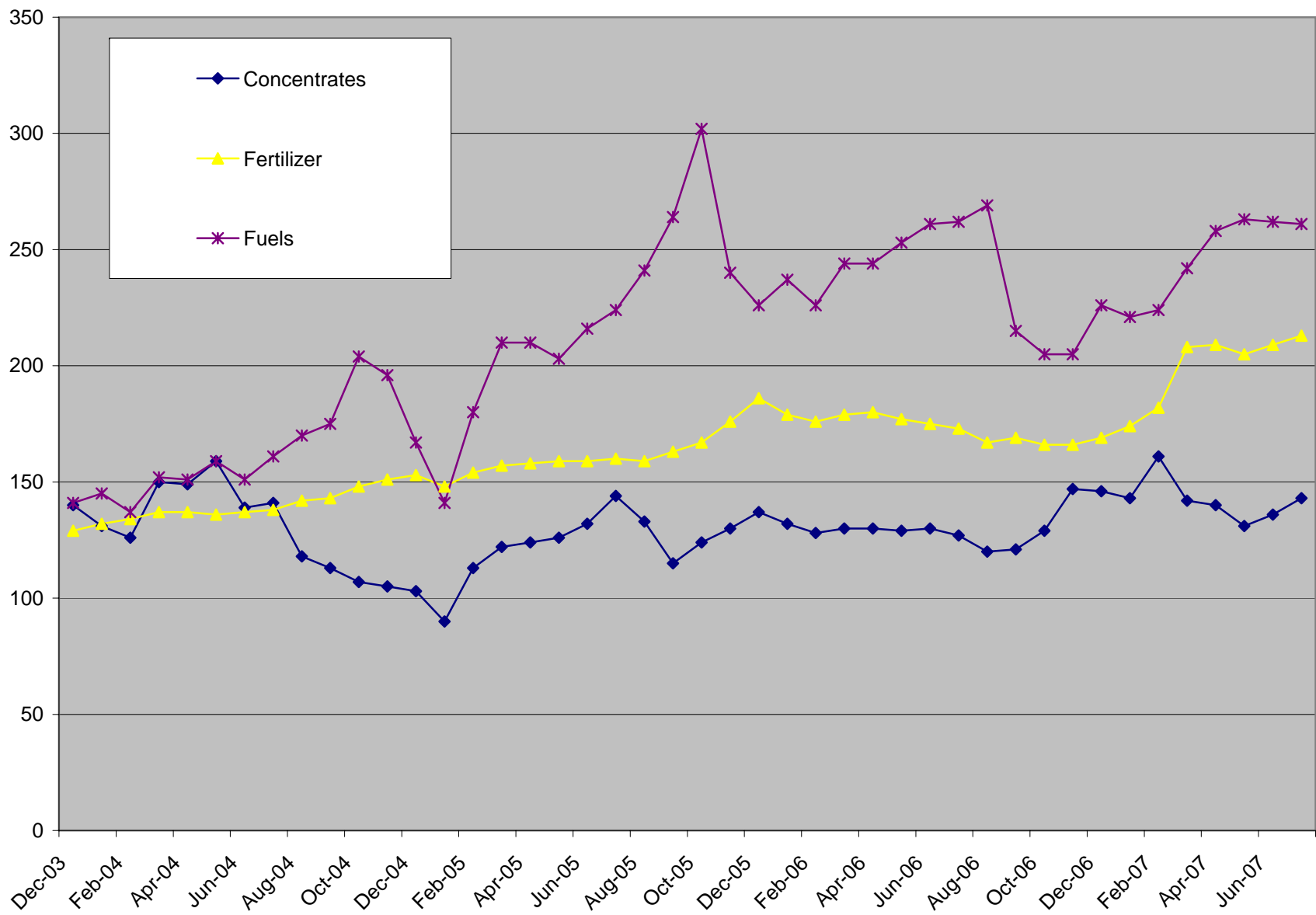


Table 1. Cost categories and indices in 2004, 2005 and May 2006 .

<i>Dairy Budget Categories</i>		Producer Price Index			Change from 2004 to May 2006
		2004*	2005*	May-06	
Dairy Concentrate		128.4	124.2	128.0	-0.3%
Seeds		157.8	167.8	186.0	17.9%
Fertilizer and Lime		140.7	162.2	179.0	27.3%
Chemicals and Other		119.9	120.4	126.0	5.1%
Fuel and Oil		164.0	221.4	255.0	55.5%
Utilities		100.0	114.5	156.8	56.8%
Miscellaneous		127.3	132.9	141.0	10.8%
Machinery Repair		142.2	148.1	148.0	4.1%
Interest		103.2	105.3	119.0	15.3%
Tax		130.0	131.5	128.0	-1.5%
Hired Labor Expense		160.7	163.8	169.0	5.2%
Family Labor Expense		140.2	144.8	149.0	6.3%
Remainder		131.0	136.2	142.0	8.4%
* Averaged over entire year					
** Derived from Maine Public Utilities Commission published data					

Simple monthly reports on fluctuations with some discussion

Table 2. Preliminary estimates for the Maine Dairy Cost Indices and Short-run Breakeven Prices for July 2007

	Small Farm	Medium Farm	Large Farm
Preliminary (July, 2007)	157.0	158.9	159.3
Preliminary Adjusted Breakeven Price (\$/cwt)	19.88	17.24	16.46
% Change over 2004	+16.0%	+15.0%	+14.9%

Weaknesses

- Overestimates the COP
- Comparison between 2001-2004
 - COP increased at about 2/3 of the index